

# Marching toward the accomplishment of our new long-term vision with an eye to the needs of the future and the world after the COVID-19 pandemic.

Masao Asami

President and Representative Executive Officer



## Global COVID-19 Pandemic Response Measures

Proactive action based on an accurate understanding of risks and opportunities with stakeholder safety as our top priority

On behalf of the EBARA Group, I would like to extend our sincere condolences to anyone who has lost loved ones to COVID-19 or have fallen victim to this virus. I also express our appreciation for the essential workers around the world who perform tasks that are indispensable to our daily lives.

The EBARA Group provides essential social infrastructure, supporting industry and life around the world. To fulfill the social responsibility this entails, we are continuing our business activities while placing the safety of our employees and other stakeholders as our top priority.

When the Japanese government issued its state of emergency declaration, we requested that all Group employees remain at home except for when absolutely necessary. In Japan, we quickly adjusted our internal systems in response to the COVID-19 pandemic by taking measures such as expanding our existing staggered attendance time scheme and telework program to apply to all employees. Additionally, whenever possible, employees were asked to telework in order to prevent the spread of the virus. For production floors, we implemented a rotating shift system, enabling us to keep facilities active while lessening the risk of infection among staff. These measures were relaxed a bit after the Japanese government lifted the state of emergency, but we are still examining new work styles for EBARA. For example, we are shifting toward telework and taking other steps to develop workplace environments, human resource systems, and information systems that are ideal for protecting both employee health and business efficiency.

Negative impacts of the pandemic on our business in the first three months of 2020, included restrictions on factory

operations and sales activities due to the policies of national and municipal governments in China, Europe, the United States, and Southeast Asia. We also experienced disruptions to our supply chain and logistics activities as well as limitations on the movement of people. That being said, the overall impact on our business during this period was relatively small.

Since April 2020, the pandemic has spread to Europe, the United States, and other regions, plunging the world into a global economic recession. The impacts on EBARA have included customers foregoing investment projects, delays in construction negotiations, and supply chain disruptions. Conversely, there is a move to reopen economies in developed countries. This combination of factors is making it extremely difficult to formulate an outlook for the EBARA Group's operating environment.

Going forward, we will continue to monitor trends as we strive to minimize the negative impact on our business activities while placing the prevention of the infection of customers, suppliers, employees, and other stakeholders as our top priority. We will also take steps to respond to the changes in the operating environment over the medium-to-long term, both during and after the pandemic. We are examining a myriad of measures with this regard, including further shifts to telework, encouraging sales activities to be performed in a non-face-to-face manner, reconstructing global production systems and supply chains, and transforming the very nature of our services. In the midst of this uncertain and unclear operating environment, we are committed to flexible and proactive action based on an accurate understanding of risks and opportunities with stakeholder safety as our top priority.





## Review of the Previous Medium-Term Management Plan E-Plan 2019

Failure to meet key management indicator targets denote remaining issues for the next medium-term management plan

Under E-Plan 2019, the previous medium-term management plan, we pursued our primary goals of profitability improvement and growth based on the slogan of "Unlimited challenge toward growth". However, we failed to accomplish our targets for the important key performance indicators (KPIs) of return on invested capital (ROIC) and the operating income to sales ratio. The major reasons for this failure included the overly optimistic nature of our outlook for the oil and gas market and an insufficient degree of transformation in our business structure as was necessary for strengthening our profit foundation. These are issues that we will need to address going forward. During the period of the plan, we executed growth investments as intended. Examples of these investments include those for the

construction of fully automated plants for the purpose of improving productivity. We anticipate that the benefits of these investments will begin to occur in 2020 and beyond. Meanwhile, we were able to achieve a consolidated total return ratio that greatly surpassed our targets through shareholder returns activities including conducting share buybacks for the first time in Company history. We also proceeded to practice management based on ESG factors. Examples include our reinforcement of corporate governance systems, the revision of human resource systems, and other measures to cultivate foundations for transitioning to a corporate culture that encourages all employees to tackle their work with a competitive spirit and embrace challenge.

Evaluation of Progress toward Targets of E-Plan 2019	
Key Management Indicator Targets	<p>✘</p> <ul style="list-style-type: none"> <li>Targets of the key management indicators of ROIC and operating income to sales ratio were not achieved</li> <li>Main reasons why targets were not achieved were our too optimistic market outlook and insufficient business structure transformation to strengthen the revenue base</li> </ul>
Growth Investment	<p>△</p> <ul style="list-style-type: none"> <li>Three-year investment was ¥95.5 billion</li> <li>Built an automated plant to improve productivity and invested in systems to improve various processes; Enhanced product competitiveness and improved profitability are expected after 2020</li> </ul>
Shareholder Returns	<p>○</p> <ul style="list-style-type: none"> <li>Significantly above target: Total return ratio 30% or more</li> <li>In the second year repurchased shares for the first time and continued in the third year</li> </ul>
ESG-Focused Management	<p>○</p> <ul style="list-style-type: none"> <li>Promoted environmental management (e.g., Task Force on Climate-related Financial Disclosures (TCFD) participation)</li> <li>Implemented reforms to corporate culture (e.g., new human resource system and work style innovations)</li> <li>Enhanced governance (enhanced oversight function of the Board of Directors)</li> </ul>
Issues for the Next Medium-Term Management Plan	<ul style="list-style-type: none"> <li>Transformation of business structures to strengthen revenue base</li> <li>Enhancement of S&amp;S business</li> <li>Creation of new businesses</li> </ul>



## Long-Term Vision—E-Vision 2030

Contribution to the resolution of social issues through business activities from a market-oriented perspective looking toward the world of 2030

The EBARA Group has unveiled E-Vision 2030, a new long-term management policy that illustrates our vision for the Group a decade from now and the value creation story that will service as the roadmap toward realizing this vision.

The vision we pursued up until 2020 was defined in Management Policy—Towards Year 2020. This management policy was established when we transitioned to the Company with Nominating Committee, etc., structure described in the Companies

Act of Japan in 2015 as part of our efforts to reinforce our corporate governance structures. It was here that we laid our intent to shape management based on ESG factors (human resources, environmental issues, bonds with society, corporate governance, etc.) as well as our policies for growth targets, strategies, and R&D activities.

Meanwhile, we fully recognize the issues presented by our inability to achieve the targets of the previous medium-term

management plan, E-Plan 2019. Reflecting on this situation, we have come to the realization that establishing management policies based on a long-term view of the operating environment, setting the course for management, and executing growth strategies will require a bold, steadfast, and global approach. This approach will be vital to ensuring that the Group is able to continue growing in the increasingly volatile operating environment to be seen going forward. This process of self-examination led to the February 2020 announcement of E-Vision 2030, the EBARA Group's new long-term vision looking toward its growth over the next decade.

### Background for Establishment of E-Vision 2030—Path from Past to Present and Outlook for the Future

E-Vision 2030 was formulated through a process of reexamining the spirit and DNA that the EBARA Group has continued to treasure over the 108-year history since its founding and clarifying its presence in the world of today. With this framing, we identified the issues and opportunities the Group is likely to face going forward based on our outlook for the future of society and the global environment.

Since it was founded in 1912, the EBARA Group has continued to develop its business activities in accordance with its Founding Spirit of "Netsu to Makoto" (Passion and Dedication) and its corporate philosophy of "We contribute to society through high-quality technologies and services relating to water, air, and the environment." At the time of the Group's founding, Japan was still lacking in terms of social infrastructure. For this reason, our forebears were dedicated to shaping Japan through their business of helping realize the safe and reliable supply of water. This dedication led them to respond to the needs of society through the development of fluid machinery and system products, such as the first domestically manufactured pump.

After the end of World War II, Japan would eventually experience what would become known as the Japanese postwar economic miracle. This was a period of demand for social infrastructure as well as growing construction demand related to industrial infrastructure and urbanization. EBARA responded to this demand with a diverse lineup of fluid machinery and system products matched to the various needs that arose during this period. In addition, we developed waste incineration facilities to be used in the disposal of waste, which was increasing in step with economic growth. It was also at this time that we saw the development and spread of electric and electronic products, resulting in explosive growth in demand for semiconductors. EBARA met this demand by developing semiconductor manufacturing equipment and components and supplying these to the market to contribute to the evolving information society.

Reviewing the history of the EBARA Group dating back to its foundation, we will see that the Group is a conglomerate that has always been mindful of the contemporary issues faced in society, industry, and everyday life. It has addressed these issues through the passionate development of technologies and the dedicated supply of products, systems, and services to society, growing its business through this process. Ours has truly been a history of growth achieved by honing the strength of our technological capabilities and reliability through constant ambition, originality, and ingenuity grounded on the passion and dedication described in our Founding Spirit.

Conversely, if we look toward the future of society and the global environment a century from now, we will see a number

of issues that we must address. One issue of particular importance is climate change. Global warming sparked by climate change, for example, has the effect of intensifying abnormal weather patterns and natural disasters, raising sea levels and tides and consequently submerging land masses, and triggering shortages of resources such as food and water. Meanwhile, the evolution of the digital society will, no doubt, result in computers, telecommunications equipment, AI, and the IoT permeating all aspects of society. In this manner, the accelerated evolution of the digital society can be expected to transform our lifestyles. Amid these trends, we anticipate that the semiconductors underpinning the digital society will be subject to ongoing technological innovation and growth in demand.

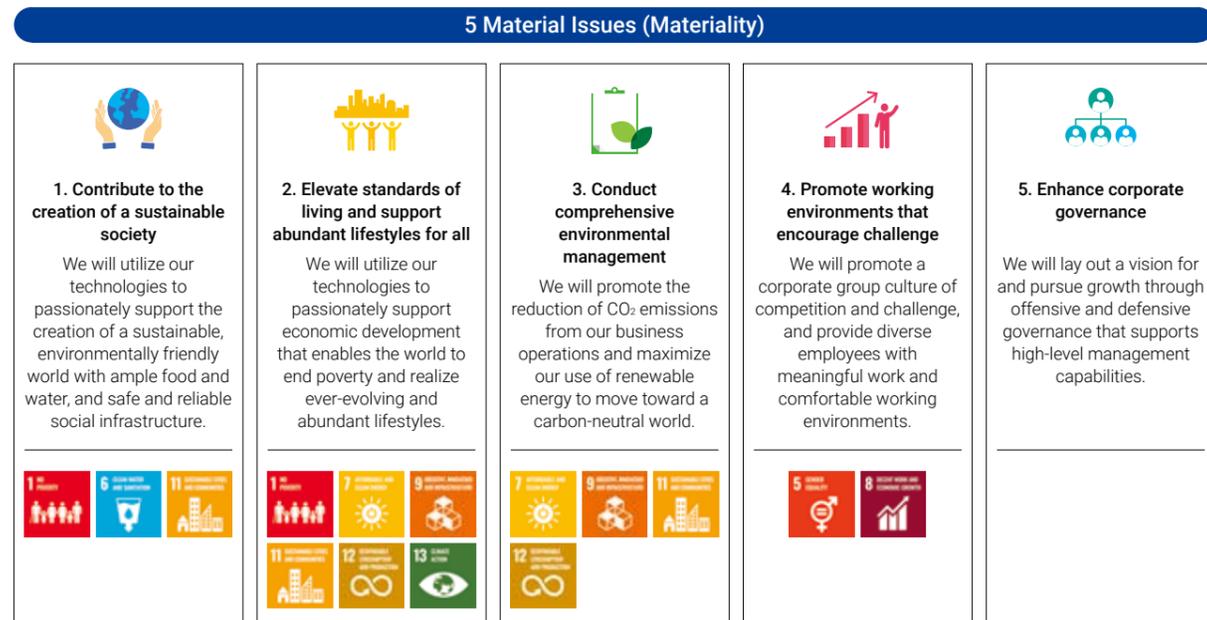
### Basic Policies of E-Vision 2030

When considering the outlook for the world of the future, the issues to be faced therein, and the EBARA Group's strengths, I see substantial opportunities for the Group to grow by contributing to the resolution of social issues, such as those indicated by the SDGs. In the past, EBARA tended to be overly focused on aspiring to create high-spec products, with world-leading technologies, just for the purpose of pushing technology forward. Capitalizing on the opportunities to be seen going forward, however, will require a market-oriented perspective toward addressing the needs of customers seeking solutions to their problems. The necessity of a market-oriented perspective has been something that Independent Directors have continued to stress at meetings of the Board of Directors. If EBARA is to continue contributing to the resolution of the increasingly wide range of social issues, it will need new ideas that defy prior conceptions. We will, of course, also need to grow our existing businesses. Accordingly, in the future we will be looking to optimize our business portfolio through bold efforts to grow existing businesses and create new businesses based on an accurate understanding of the opportunities open to us based on a global, market-oriented perspective.

### Slogan and Material Issues of E-Vision 2030

As we advance into the future, the EBARA Group will continue to make increasingly wide-reaching contributions to society through its business by capitalizing on the strengths of the technological capabilities and reliability it has cultivated thus far. These efforts will be shaped by the "EBARA Way," a set of transcendental values for the EBARA Group with our Founding Spirit of "Netsu to Makoto" at their core. This intent is expressed in the slogan of E-Vision 2030: "Technology. Passion. Support Our Globe." Moreover, this slogan encapsulates our desire to support society, industry, and everyday life by inspiring a broader range of customers around the world to use EBARA products.

Five material issues (EBARA's materiality) to be addressed by the EBARA Group leading up to 2030 were identified in E-Vision 2030. These issues were chosen based on an examination of our outlook for the world of the future, the issues to be faced therein, and the EBARA Group's strengths. We have also drafted a value creation story. This story portrays the process through which we will realize greater levels of corporate value by simultaneously increasing our social, environmental, and economic value. This will be achieved through addressing our five material issues, which in turn contribute to the realization of a sustainable society.



#### Management Strategies of E-Vision 2030

The basic policy of E-Vision 2030 is to address the five material issues (EBARA's materiality) by embracing a global market-oriented perspective and maximizing corporate value through the optimization of our business portfolio. Based on this policy, we have put forth four management strategies to guide us in responding to the material issues. This policy and these strategies have been broken down in the E-Plan 2022 medium-term management plan to direct ongoing action to ensure the accomplishment of our targets.

#### Targets of E-Vision 2030

E-Plan 2030 sets targets for social, environmental, economic, and corporate value to paint a picture of our vision for the EBARA Group a decade from now.

The targets for social and environmental value are to reduce GHG emissions by the equivalent of about 100 million tons of CO<sub>2</sub>, deliver water to 600 million people, and contribute to smarter living by contributing to the 14-angstrom (one ten-billionth of a meter) generation with ICAC5 technologies.\* Economic value targets call for us to achieve ROIC of 10.0% or

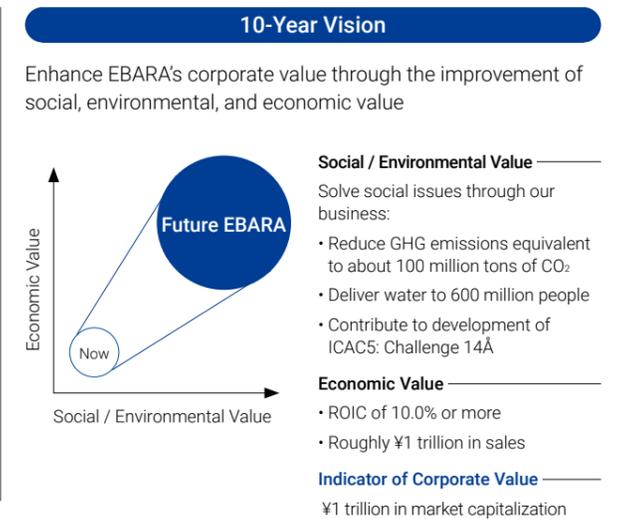
### Basic Policies and Four Management Strategies of E-Vision 2030

<b>Basic Policy</b>	<b>Maximize corporate value through the optimization of business portfolio</b> • Recognize issues based on realistic future forecasts • Integrate a global market-in approach	
<b>Four Management Strategies</b>	New / Existing Business Strategies	<b>New Business:</b> Contribute to solving material issues by starting up new types of business <b>Existing Businesses:</b> Enhance S&S and execute aggressive business segment-specific strategies
	Regional Strategies	<b>Global Market:</b> Actively develop business in areas where problems associated with economic development are arising (i.e., increasing energy consumption, population growth, environmental issues, etc.) <b>Japanese Market:</b> In the midst of a maturing market, expand S&S services and implement creative, flexible business reforms untethered to conventional manufacturing
	Resource Strategies	Achieve optimal resource allocation through focus on the following three strategies: • Financial / Investment Strategy • Manufacturing / Technology / Information Strategy • Human Resource Strategy
	ESG Strategies	Further refine ESG-focused management to facilitate the creation of a sustainable society <b>E</b> Take aim at environmental issues <b>S</b> Foster bonds with society <b>G</b> Enhance governance

more and net sales of roughly ¥1 trillion. For corporate value, we have set the target of ¥1 trillion in market capitalization.

By clarifying this vision for the EBARA Group a decade from now, we hope to motivate employees working across the Group and further stimulate its growth. Our approach toward achieving this vision will entail uniting the strengths of employees to improve social and economic value by contributing to society through our business while simultaneously heightening economic value through business growth and efficient management. We thereby aim to earn greater corporate value and recognition as an excellent global company from society and from the entire world.

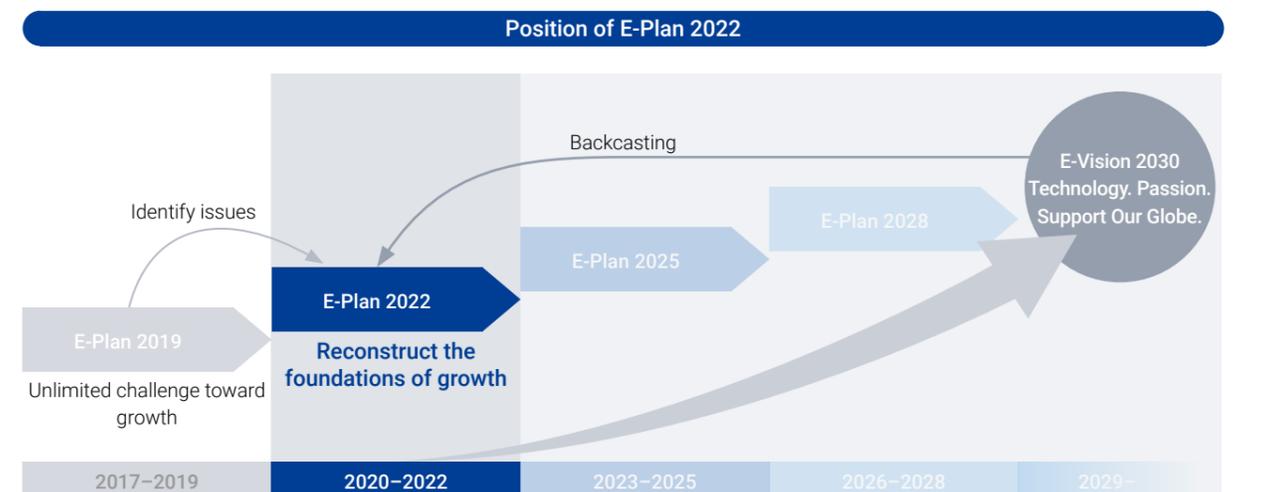
\* IoT, cloud technologies, AI technologies, automated driving technologies, and 5G communications technologies



E-Plan 2022 is a three-year medium-term management plan covering the period from 2020 to 2022. This plan is comprised of management policies and strategies for the coming three years formulated based on backcasting from what we want to achieve in the next decade, as indicated by E-Vision 2030, and on reflection on the previous medium-term management plan to identify the issues that still need to be resolved.

The major issues identified through our review of E-Plan 2019 pertained to the strengthening of our profit foundation and the expansion of S&S operations. Our profit foundation has been growing steadily stronger, but we still see the need for ongoing

efforts to strengthen this foundation during the period of E-Plan 2022. As for S&S operations, although we had been engaged in efforts to expand these operations previously, we were unable to achieve satisfactory results during the period of E-Plan 2019. Accordingly, we are taking a cross-business perspective toward examining the ideal approach for our S&S operations. At the same time, we will pursue synergies through collaboration between our custom pumps business and our compressors and turbines business, which share an overlapping segment of the market, as we implement ongoing measures to enhance S&S operations.



**Basic Policies of E-Plan 2022**

The period of E-Plan 2022 has been positioned as a period in which we will "reconstruct the foundations of growth" to achieve our vision for 10 years in the future. In the three-year period of the plan, which represents the start of our journey toward long-term growth, we are tasked with identifying and cultivating the seeds of growth that will satisfy contemporary needs and

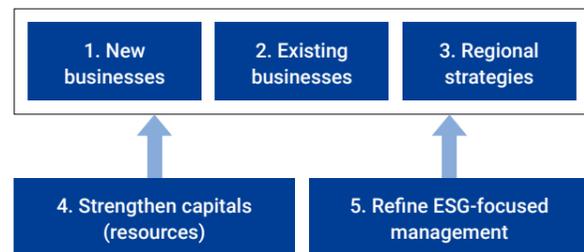
securing the funds needed for this process. We will also need to improve our speed in operational execution and management decisions by taking measures to strengthen the foundations for global operations while conducting business operations in line with the ideals of stakeholder capitalism.

Four basic policies (indicated in the table below) have been established to guide us in accomplishing these tasks.

Basic Policies of E-Plan 2022	
<b>Strive for growth</b>	Create and cultivate new businesses and expand existing businesses further into the global market
<b>Improve profitability of existing businesses</b>	Transform business structures to strengthen revenue base and increase S&S sales in all businesses
<b>Refine management and business infrastructure</b>	Introduce an enterprise resource planning (ERP) system and institute drastic global process reforms to form the foundations for proactively implementing digital transformation to facilitate swifter management and further emphasize ROIC management and long-term growth
<b>Enhance ESG-focused management</b>	Combat climate change (environmental); utilize human resources, foster bonds with society, and respect human rights (social); and evolve corporate governance and risk management practices (governance)

**Strategies of E-Plan 2022**

We have set management strategies based on the following five perspectives and the basic policies of E-Plan 2022. Each business will formulate and enact plans aimed at accomplishing these targets.



**1. New Businesses**

By identifying new global-basis social needs from a market-oriented perspective, EBARA will work to supply customers with solutions that leverage its own technological capabilities and external resources.

**2. Existing Businesses**

We aim to strengthen our S&S operations by maximizing inter-business synergies on a Companywide basis. At the same time, we will execute aggressive business segment-specific strategies.

Other focuses will include strengthening development capabilities to create competitive advantages and expanding global procurement systems.

**3. Regional Strategies**

Efforts aimed at the global market will include the aggressive allocation of management resources to countries and regions where we can anticipate growth, such as China, India, and

Africa, which are seeing population, economic, and industrial growth. Through this allocation of resources, we will bolster our products and services in these markets while recruiting and developing global human resources.

Meanwhile, we will have to assume that the Japanese market will continue to mature. In this market, we will seek to ensure we capitalize on S&S sales in all businesses while utilizing IoT, AI, and other digital technologies ahead of the curve in order to maximize efficiency and earnings. The Group also looks to help build robust social infrastructure that is resilient to natural disasters. The development of technologies necessary for making such contributions will be pursued particularly in our custom pumps business and Environmental Plants Business.

**4. Strengthening of Capitals (Resources)**

Six capitals that are necessary for our business are human capital, manufacturing capital, financial capital, intellectual capital, social and relationship capital, and natural capital. At EBARA, we are committed to evolving and augmenting these different kinds of capital to ensure their viability for responding to business changes and growing global operations.

For example, we are implementing manufacturing, technology, and information strategies aimed at driving the global transformation of products, services, and business models by using data and digital technologies to heighten operational efficiency and achieve long-term growth. One facet of these strategies will be the Companywide introduction of an ERP system and the development of globally optimized business infrastructure.

**5. Refinement of ESG-Focused Management**

Ongoing business growth will be pursued through initiatives to respond to ever-changing environmental issues, foster bonds with society, and enhance corporate governance.

Initiatives for responding to environmental issues will include

the provision of high-efficiency products and services that help combat climate change and the advancement of business activities that contribute to reduced environmental footprint.

To foster bonds with society, we will aspire to create and provide social value by supplying safe, secure, and convenient products and services.

Meanwhile, we will seek to fully exercise the functions of the Board of Directors to achieve ideal corporate governance systems and to evolve and further enhance these systems.

**Targets of E-Plan 2022**

The management indicators we will focus on under E-Plan 2022 are ROIC and the operating income to sales ratio. In the fiscal year ending December 31, 2022, the final year of the plan, we are targeting ROIC of 8.0% or more and an operating income to sales ratio of 8.5% or more. In addition, supplementary performance indicators have been identified for monitoring to ensure that we accomplish these targets. The indicators designed to guarantee the accomplishment of the ROIC target are return on equity (ROE) and the debt-to-equity ratio. The indicators related to the consolidated operating income to sales ratio are the equivalent ratios from our five businesses. We will work toward the accomplishment of these targets by improving earnings while also appropriately managing our balance sheet with regard to asset efficiency and debt-to-equity ratios of our businesses.

**In Closing**

E-Vision 2030, our new long-term management policy, is a declaration stating that "We aim to further our contributions toward the SDGs through the pursuit of solutions to our identified material issues to contribute to the creation of a sustainable society, while simultaneously increasing the social, environmental, and economic value we generate. We believe this will earn us greater corporate value and recognition as an excellent global company."

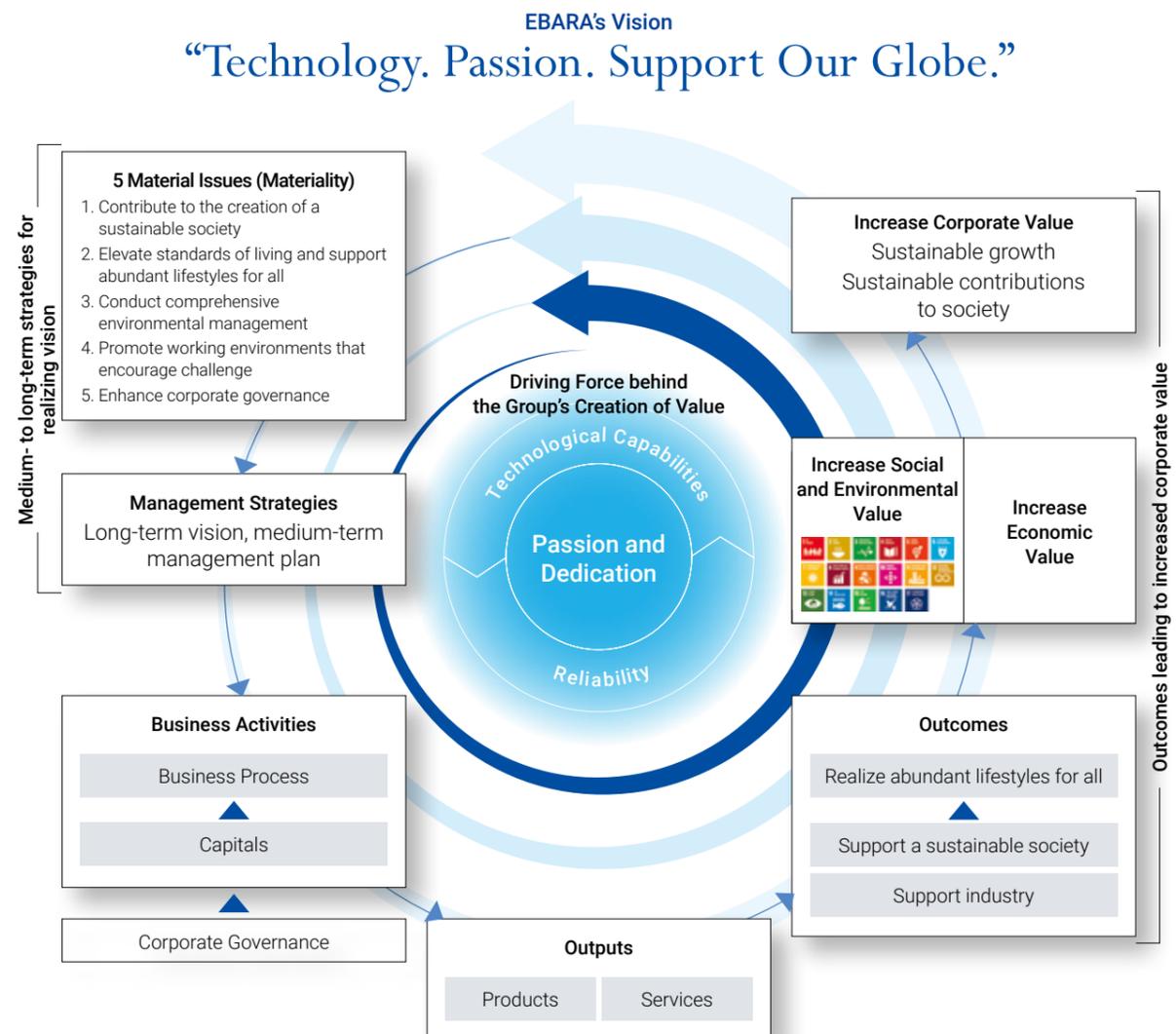
The current operating environment is characterized by volatility, uncertainty, complexity, and ambiguity, making it difficult to project the future of society and of business, and this environment is only becoming more opaque due to the global COVID-19 pandemic. In this environment, we will act based on an understanding of risks and opportunities arrived at through a global, long-term market-oriented perspective while being guided by the slogan of E-Vision 2030: "Technology. Passion. Support Our Globe."

Masao Asami  
President and Representative Executive Officer

## Value Creation Story

# “Technology. Passion. Support Our Globe.”—A Mission to Be Fulfilled Based on the “EBARA Way”

Guided by the core of the “EBARA Way,” the Founding Spirit of “*Netsu to Makoto*” (Passion and Dedication), the EBARA Group has continued to contribute to the resolution of social issues with the strengths of its technological capabilities and reliability throughout its 108-year history. We will further build on these strengths while advancing business activities based on our desired vision for EBARA. This is the approach we will take in supporting the globe into the future and ensuring that EBARA can continue to grow over the next century.



### Key Points for the EBARA Group's Value Creation Story

#### Medium- to Long-Term Strategies for Realizing Vision

Looking ahead toward the upcoming era in which people frequently live to be 100 and the global environment that can be projected therein, it can be anticipated that people's lifestyles will undergo substantial transformations going forward. Factors driving this transformation will include more severe weather abnormalities and natural disasters stemming from global warming; depletion of food, water, and other resources; and the evolution of the information society. Given this operating environment outlook, our long-term vision, E-Vision 2030, was created based on the belief that meeting this moment in an effective way requires a clear vision for the future with straightforward policies and strategies for realizing that vision. Based on

the slogan of “Technology. Passion. Support Our Globe,” E-Vision 2030 is oriented around augmenting and leveraging the EBARA Group's strengths to address five issues determined to be material to our business. Meanwhile, E-Plan 2022 is a medium-term management plan formulated through the identification of issues remaining from the previous medium-term management plan in addition to backcasting from E-Vision 2030. We aim to generate a cycle of improvement in social, environmental, and economic value and ultimately achieve greater corporate value through the implementation of the basic policies laid out in this plan.

#### Driving Force behind the Group's Creation of Value

##### “*Netsu to Makoto*”

“*Netsu to Makoto*” (Passion and Dedication) was the motto of EBARA founder Issey Hatakeyama, and he was constantly advocating these principles to employees. This spirit lives on in the EBARA Group of today, forming the foundation for attitudes toward the work ethic and behavior of our people. When we go about our work with passion, exercise originality and ingenuity, and maintain a dedication to completing the tasks at hand, our technological capabilities and reliability grow stronger.

#### Technological Capabilities

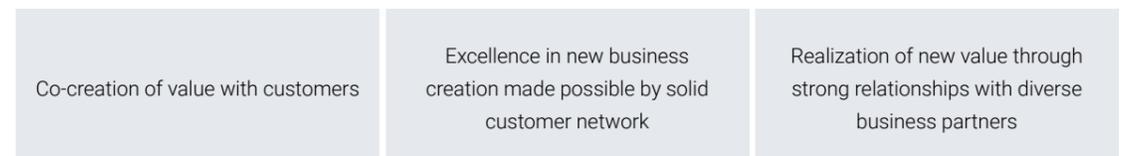
In the more than a century since its founding, the EBARA Group has continued to provide the products and services desired by customers and society, accumulating the technologies necessary to offer support across the entirety of our product life cycles. Currently, our technological capabilities lie in our diverse accrument of the core technologies of our products from our five main business segments.

We aim to make our fluid technologies, numerical analysis techniques, materials, analysis, and other foundational technologies the very best in the world. By incorporating advanced techniques and methodologies based on these technologies, we will work to further enhance the core technologies that go into our products while developing the technologies for the future.

#### Reliability

The passion and dedication all employees exercise in their work and the tenacity they exhibit in the face of adversity have won EBARA a strong reputation for reliability among its customers. We continue to build upon this reputation of being a reliable and steadfast partner by remaining true to our spirit of passion and dedication and by proactively solving issues customers may be facing. Strengthening our trust-based relationships with customers and other stakeholders will unlock new possibilities for EBARA.

#### Value Created through Reliability



## Vision for 10Years into the Future

# Recognition as an Excellent Global Company with Greater Corporate Value Achieved through Resolution of Social Issues

By enacting the value creation story described on the following pages, the EBARA Group will aid in the creation of a sustainable society through management based on ESG factors and contributions to the accomplishment of the SDGs while simultaneously increasing social, environmental, and economic value. We believe this undertaking will earn us greater corporate value and recognition as an excellent global company.

### Outcomes of Efforts to Address Five Material Issues (Materiality)

Under the slogan of "Technology. Passion. Support Our Globe," E-Vision 2030 puts forth five material issues to be addressed by the EBARA Group leading up to 2030. By responding to these material issues through our business activities, we aim to invite outcomes that result in improvements in our social, environmental, and economic value.

**Five Material Issues (Materiality)**

 <p><b>1. Contribute to the creation of a sustainable society</b></p> <p>We will utilize our technologies to passionately support the creation of a sustainable, environmentally friendly world with ample food and water, and safe and reliable social infrastructure.</p> 	 <p><b>2. Elevate standards of living and support abundant lifestyles for all</b></p> <p>We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.</p> 	 <p><b>3. Conduct comprehensive environmental management</b></p> <p>We will promote the reduction of CO<sub>2</sub> emissions from our business operations and maximize our use of renewable energy to move toward a carbon-neutral world.</p> 	 <p><b>4. Promote working environments that encourage challenge</b></p> <p>We will promote a corporate group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.</p> 	 <p><b>5. Enhance corporate governance</b></p> <p>We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities.</p>
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**Targeted Outcomes**

 <p><b>Reduced GHG Emissions</b></p> <p>Reduce GHG emissions from business operations</p> <ul style="list-style-type: none"> <li>■ Reduce amount of energy used in production</li> <li>■ Develop more energy-efficient products</li> <li>■ Improve the power generation efficiency of municipal solid waste treatment facilities</li> </ul>	 <p><b>Safe and Reliable Living</b></p> <p>Support development of resilient infrastructure that helps resolve environmental issues associated with urbanization and deliver water all over the world</p>	 <p><b>Smarter Living</b></p> <p>Contribute to the development of high-spec semiconductors necessary to answer the increasing demand for ICAC5 technologies (IoT, cloud technologies, AI technologies, automated driving technologies, and 5G communications technologies) through the provision of cutting-edge semiconductor manufacturing equipment</p>
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### Enhance Corporate Value through Increasing Social, Environmental, and Economic Value

E-Vision 2030 delineates policies and strategies for growing EBARA while addressing the five material issues through business activities. By implementing these strategies, we will seek to realize the outcomes described on the preceding page, simultaneously increase social, environmental, and economic value and achieve greater corporate value to push us toward our vision for the future.

**Increase Social and Environmental Value**

**Goal**  
**Solve Social Issues through Our Business**

	<p><b>Reduced GHG Emissions</b></p> <p><b>Reduce GHG emissions in an amount equivalent to around 100 million tons of CO<sub>2</sub></b></p> <p>The EBARA Group aims to reduce GHG emissions in an amount equivalent to around 100 million tons of CO<sub>2</sub> through the use of its products based on its net sales target of roughly ¥1 trillion for the fiscal year ending December 31, 2030. Reductions in CO<sub>2</sub> emissions will be pursued through our business activities as well as through the business activities of customers via highly efficient EBARA Group products.</p>
	<p><b>Safe and Reliable Living</b></p> <p><b>Deliver water to 600 million people worldwide</b></p> <p>Capitalizing on its accumulated technological capabilities, the EBARA Group seeks to deliver water to 600 million people worldwide through the provision of a wide range of services. These services will not be limited to the traditional domain of our pumps business, moving water, but will rather extend to domains such as creating clean water.</p>
	<p><b>Smarter Living</b></p> <p><b>Contribute to development of ICAC5 technologies and accommodate 14Å era</b></p> <p>As the progress of ICAC5 technologies stimulates semiconductor demand around the world, it can be expected that astoundingly swift increases will be witnessed in the performance of semiconductor chips. It is therefore anticipated that state-of-the-art semiconductor devices will have entered into the 14Å (angstrom, one ten-billionth of a meter) era by around 2030. The EBARA Group is committed to evolving its technologies to contribute to this trend.</p>

**Increase Economic Value**

**Goal**  
**Sustainable Growth and Efficient Management**

<p><b>ROIC of 10.0% or more</b></p> <p>E-Vision 2030 targets ROIC of 10.0% or more, compared with the figure of 6.5% posted in the fiscal year ended December 31, 2019. Earnings capacity increases will be pursued accordingly.</p>	<p><b>Roughly ¥1 trillion in net sales</b></p> <p>E-Vision 2030 sets a target of roughly ¥1 trillion in net sales, twice the figure from the fiscal year ended December 31, 2019, to be achieved by launching new businesses and growing sales in existing businesses.</p>
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**Increase Corporate Value**

**Sustainable Growth / Sustainable Contributions to Society**  
**Target: ¥1 trillion in market capitalization**

The target of ¥1 trillion in market capitalization has been set to gauge the improvement of corporate value in 2030. In pursuit of this target, EBARA will seek to earn recognition as an excellent global company by simultaneously improving social, environmental, and economic value.

**End Goal of E-Vision 2030**

To support our globe with technology and passion and earn recognition as an excellent global company

# In-Depth Look at Sustainability and EBARA's Future

The EBARA Group announced the E-Vision 2030 long-term vision and the E-Plan 2022 medium-term management plan in February 2020, marking its embarkment on a new journey to achieve sustainable growth from a future-oriented, long-term perspective. To respond to this milestone, Eiichiro Adachi, advisor to the Sustainability Committee, and Masao Asami, President, Representative Executive Officer, and chairperson of the Sustainability Committee sat down to discuss sustainability and EBARA's future while touching upon the feelings encapsulated by E-Vision 2030 and the issues needing to be tackled to achieve ongoing growth.

This discussion took place with both individuals wearing masks and practicing social distancing in light of the COVID-19 pandemic.

## View toward Sustainability

**Asami:** I am incredibly grateful that you honored us by joining the CSR Committee (currently the Sustainability Committee) in 2019, Mr. Adachi. The input you offer from a viewpoint completely different than ours is most appreciated. At EBARA, there is an entrenched belief that, the Company has existed for a century, our ongoing survival is practically guaranteed. I believe that this type of complacency is something that we need to disrupt, and I have been stressing this since I became president. Your addition to the committee has certainly changed things for the better, as your insightful comments have stimulated deeper discussion among the members resulting in better, more meaningful discussions.

**Adachi:** Everyone on the CSR Committee is earnest and incredibly serious in how they go about reports and discussions. Of course, I mean this as a compliment. Independent Directors, also, do not seem hesitant to make themselves heard. It is also clear to me that the roles and responsibilities of each member are clear on a functional level, and there is an effective plan-do-check-act (PDCA) cycle in place with regard to the direction that EBARA should take going forward. However, I do see room for improvement with regard to how visions of the future and the exciting new prospects of this future are incorporated into management.

**Asami:** Previously, our discussions were often focused on determining how to complete our short-term "to-do list" well, and so it was rare to get into the more exciting discussions of what we could or should do in the future.

In the 1980s, EBARA attempted to branch out in a number of new directions. Unfortunately, many of these ventures were financially unsuccessful. On top of that, a number of compliance issues were uncovered at EBARA around this time as well. Because of this, for a long time it was hard to actively market the contributions EBARA was making to society through its business. Today, we have finally been able to push past that situation, and can view ourselves in a new light.

**Adachi:** The struggles EBARA has overcome are an important part of the Company's history and demonstrate its understanding of the fundamental principles of business, that a company exists because of its ability to generate sales and profits. The experiences EBARA has had on its path to recovery will be vital in overcoming the increasingly opaque business environment as the world battles the COVID-19 pandemic. It is my hope that the Company will be able to utilize this history to create future success. Companies that have a clear legacy



**Eiichiro Adachi**

Counselor, The Japan Research Institute, Limited

### Abbreviated Career History

Eiichiro Adachi arrived at his current position of counselor at The Japan Research Institute, Limited, after working in this company's corporate strategy and technology research divisions. At Japan Research Institute, he oversees industry research and corporate evaluations from the perspective of CSR. He has also been serving as an advisor to the CSR Committee (currently the Sustainability Committee) of EBARA CORPORATION since 2019.



**Masao Asami**

President, Representative Executive Officer

employees understand and empathize with generally prove to be strong in the face of economic downturns or other such difficulties. Moreover, an even greater degree of strength can be witnessed when ESG issues and sustainability become the core of employee motivation and engagement. I have high expectations for EBARA in this regard.

## Background for and Evaluation of the E-Vision 2030 Long-Term Vision

**Asami:** EBARA was originally a small venture company spun off from a university. This venture company was lucky enough to find success by supplying something that was needed by the society of the time. We continued to meet contemporary needs by providing the agricultural pumps necessary for reconstruction after World War II and then the fans and chillers that were required during the postwar period of economic growth. Similarly, as increasing volumes of waste became an issue, EBARA worked to provide waste incinerators to combat the problem. This history of supplying products that meet the needs of society makes the conviction of EBARA's forebears very clear, that contributing to society is how EBARA most fully exercises its strengths. I find this unwavering conviction to be impressive.

The question then becomes: What do we need to do now to be able to continue making contributions to society over the next 50 to 100 years? At the moment, it can be expected that population growth in Asia and Africa will create conditions like those that Japan experienced during the period of its economic miracle. If this does indeed occur, EBARA may be able to contribute by tailoring the solutions it supplied to Japan to match the needs of these countries. It was by looking 10 years in the future through this lens that we arrived at the E-Vision 2030 long-term vision.

It is, of course, important to raise profitability of our existing businesses. For example, our pumps business is undeniably an important business. However, if asked if we are No. 1 in the world when it comes to pumps, we would have to say "no," which can make us feel trapped. It is vital to rekindle the pumps business.

The DNA of EBARA and its corporate culture is one that takes its role of contributing to society seriously. When it comes to profit, however, I cannot deny that there are entrenched feelings that make us sometimes prioritize contributions to society to the detriment of profitability. Independent Directors have noted this situation by stating that it is not acceptable for a company to have a weighted average cost of capital (WACC) that exceeds ROIC. However, if we are able to adjust our corporate culture, we will find ourselves poised to contribute to society without reservations. Based on this recognition, we designed E-Plan 2022 to include the tasks that absolutely need to be addressed in the first stage of E-Vision 2030.

**Adachi:** Many Japanese companies state that their companies exist for the benefit of society, even going so far as to indicate this in company policies. However, the number of companies that actually declare their vision for an ideal society, the society they aim to build, is much, much smaller. Usually, when I mention this to corporate managers, their response is humble, stating that companies are meant to serve customers so they should primarily focus on addressing customer needs as opposed to putting forth a vision of the society they hope to build. However, I feel that declarations of commitment to



social contributions without a clear vision for the society one wants to realize lack persuasiveness in the current era, which is characterized by the rapid emergence of new societal issues to tackle.

With this regard, E-Vision 2030 has a clear focus, looking to contribute to the resolution of climate change and water issues while helping evolve our very lifestyles. I have great praise for this focus, and I think EBARA has made strides forward by backing these goals with concrete numerical targets. If I were to nitpick, I would have to say that EBARA has yet to make the path to accomplishing these goals clear. If management has envisioned some roadmap for accomplishing these goals, I think it would be prudent to explain it to external stakeholders.

I also got the impression that E-Vision 2030 is an extension of EBARA's current business portfolio. Considering the drastic changes to society anticipated over the next decade, I think the Company's long-term vision would be even more appealing if it addressed fields that do not yet exist, fields that EBARA predicts will come into existence or that it is committed to creating itself.

**Asami:** Areas that are not an extension of EBARA's existing business and product portfolio would entail something unprecedented to the world.

**Adachi:** Companies can be prone to falling into ruts characterized by the following situations: (1) They have an existing business that promises ongoing sales. (2) Everyone involved in that business recognizes that it is essential to society. (3) As that business was forged over an incredibly long period of time, it strongly leans toward existing products and existing markets. In other words, as the company is achieving success with those existing products and markets, it has become inoculated against external stimulation. For a company that has fallen into such a rut, it can be difficult to create a situation that inspires employees to look for market needs in new locations or to seek to use their company's technologies to tackle previously unsurmountable challenges. You mentioned that EBARA branched out in a lot of different directions in the 1980s. It is certainly a problem if a company overextends in this manner, but it is also troublesome if a company is void of such aspirations.

**Asami:** After we overextended, the trauma silenced such ambition for a little while. We are now at a point where we have rebuilt our management constitution to a sufficient degree, and are thus poised to tackle new challenges once again. I also feel that the current trends of society, such as the growing emphasis on ESG factors and the SDGs, are things that match EBARA's corporate culture and herald significant opportunities for us. There is a need to create an ever-evolving, sustainable society, and at EBARA, we hope to tackle new challenges in order to realize this. We have started asking employees to consider what they want to do with EBARA from a long-term Groupwide perspective in internal training sessions in order to spark that drive in employees. In turn, we have seen an increase in promising projects proposed by employees that exercise EBARA's strengths.

One such project was the establishment of a new business development division three years ago. This division is engaged in various initiatives to facilitate the exploration of new businesses. For example, it has launched an open application system for soliciting new business ideas from within the Company. We hope to gather various ideas from throughout the organization and transform them into actual businesses based on judging by external experts and Independent Directors and on votes by employees. I anticipate that this process will help employees feeling trapped break out of their mental shackles to embrace the new idea that, while we cannot just do anything willy-nilly, there is a road to realizing business ideas that allow for EBARA to exercise its strengths in line with E-Vision 2030. In this manner, I hope to inspire change by communicating to employees that work is more than just repeating the same routine as it has been laid out; thinking up new ideas is also a part of everyone's job.

**Adachi:** Let me be frank in saying that internal changes like that cannot be seen from the outside. However, I am relieved to hear that such changes are going on inside of EBARA. I expect that EBARA will be reporting on the progress of E-Vision 2030 and E-Plan 2022 to shareholders and other investors in the future. When making these reports, I think it would be beneficial to go beyond simply looking at numbers and KPIs to introduce such initiatives as the internal open application system for new business ideas as one of the milestones of E-Vision 2030. There might be some pretty critical investors, but I believe that you, President Asami, can win them over with your conviction. ESG-minded investors tend to turn their attention to companies like EBARA that are highly sensitive to social transformation. Conversely, companies that are not proactive in addressing market fluctuations fail to pique the interests of such investors.

As for EBARA's strong focus on existing product lines, I suspect that EBARA's in-house company system is partially responsible. Under an in-house company system, the in-house companies tend to preface their activities on their established products and business models. This mentality can make it even more difficult to generate innovative ideas, and leads to the issue of having to make the extra effort of injecting stimulation in these companies.

**Asami:** I often find myself explaining how important it is to encourage a premium valuation through market-oriented synergies between businesses, rather than falling subject to a conglomerate discount. We need to take action based on this sentiment going forward.

### Importance of Incorporating Receptiveness and Problem Awareness of Overseas Employees

**Adachi:** I have served as an advisor to the CSR Committee for a year now. Over this period, I have felt that discussions, as well as the Company's PDCA cycle framework, have been overly biased to the business activities in Japan, when considering the ratios of overseas sales and employees. Considering the scale of EBARA's overseas operations it seems like there should be more focus on the engagement and motivation of overseas Group members, especially those that were incorporated into the Group through M&A activities. Up until now, it has been very common for Japanese companies to think of overseas bases and domestic bases as separate, resulting in double standards regarding management procedures and other aspects of operation. In these cases, if there is not an active and shared attempt to move toward a single standard for all bases, it invites the threat of corporate scandals. Even if a company advocates abstract concepts like sustainability and ESG-focused management, it is not unheard of for overseas bases to feel disconnected from these concepts. For this reason, as well as for the purpose of increasing the motivation and engagement of overseas employees, it is crucial to avoid the creation of internal double standards. If we follow this line of thinking to its logical conclusion, we arrive at the need for a universally understood language, such as English, to be used for the company's books and all internal communications. I believe that Japanese companies that assume this is the direction of the future and start to take action in preparation for this will eventually be able to cast off the label of "Japanese company," and finally be recognized as a true "global company."

Furthermore, it is not uncommon for overseas employees to be more forward-thinking and receptive than those in Japan. For example, EBARA has bases in emerging countries. Awareness of societal issues in emerging countries eclipses that of Japan. If people in such countries bring their receptiveness and problem awareness as well as the issues they face in their everyday lives to work, it will likely stimulate discussions of how EBARA can address such issues. This discussion would lead to incredibly grounded, realistic initiatives, which have the capability to drive EBARA's transformation into a total solutions provider. I have high expectations for the management of overseas bases.

**Asami:** In 2020, EBARA appointed its first non-Japanese executive officer, Michael T. Lordi. In addition, eight years ago we launched a global human resource project through which employees around their 10th year at the Company are dispatched overseas for one to two years. When speaking with employees that were sent overseas, I have felt that their awareness of societal issues truly differed from that of employees who have worked solely in Japan. Overseas, these employees are driven by a determination to do everything themselves so that they can lead their non-Japanese colleagues. When these employees return to Japan, the large degree to which they have grown inspires others to request overseas assignment, and we have seen an increase in such employees in recent years. I recognize this as a clear sign that EBARA is changing.

### Broader Examination of How to Tackle Issues

**Asami:** Today's discussion with you, Mr. Adachi, made me realize anew the importance of changing how we view fields



other than those we are currently engaged in to look at them with a sense of excitement. If we adopt this approach and view the world from a broader perspective, thinking about what we can accomplish over the long term, I am sure we can bring out the best in EBARA.

**Adachi:** You are exactly right. There are a lot of different ways that excitement can be stimulated and brought to fruition. The overseas dispatch system you just mentioned could be one such way. Another would be generating ideas for preempting customer trends by identifying means of using EBARA's pump technologies to address the needs of customers or the trends in government policy in areas unrelated to pumps ever before. There is a lot of potential for growth using pumps alone. For example, there might be use for a pump that can fixate CO<sub>2</sub> underground. It would be a good idea to install frameworks for internally facilitating such discussions throughout the organization. Moreover, if people outside of the Company were to hear of such efforts, they might be inspired to consult EBARA. When forming new contact points with a new market, it is important to broaden one's perspective beyond looking at what will sell to considering the societal issues faced in that market. The extreme seriousness of people at EBARA can lead to a narrow perspective, which is why I want to emphasize the importance of broadening perspectives throughout the Company. I also would like to see EBARA being more proactive in broadcasting the partners it looks to ally with and the projects to be undertaken with these partners.

**Asami:** EBARA is a little bad at self-promotion. A previous supervisor of mine once said that not voicing your opinions is the same as not having any thoughts at all. At EBARA, we have a strongly ingrained culture of valuing dedication and refraining from boastfulness. However, there are certainly cases in which aggressive self-promotion is viable.

**Adachi:** Companies have been increasingly welcoming non-Japanese employees in recent years. These employees bring with them different languages and sensibilities. Given this fact, I think silence is a problem also from the perspective of diversity.

**Asami:** That is true. We will look to be more proactive in communication, both inside and outside of the Company. Thank you for speaking with me today.